

**M e m o r a n d u m**To: Mr. Ramon J. Hirsig  
Executive Director

Date: September 6, 2006

From: David J. Gau, Deputy Director  
Property and Special Taxes DepartmentSubject: **2007 Diesel Fuel Tax Rate for Interstate Users**  
(September 27, 2006 Administrative Consent Agenda)

Beginning January 1, 1998, and on each January 1 thereafter, sections 60115 and 60116 of the Revenue and Taxation Code provide that a (two-component) diesel fuel tax shall be established by the Board. (A history of the rate since its inception is attached.) This tax is imposed on all interstate users for the privilege of using diesel fuel purchased without California sales tax to propel a qualified motor vehicle in California.

The first component of the tax is \$0.18 per gallon (§60050). The second component (§60116) is a cents per gallon component equivalent to the sales tax on the average selling price of diesel fuel purchased in California during the prior twelve-month period ending August 31. I recommend the adoption of a diesel fuel tax rate of \$0.367 per gallon for calendar year 2007. The rate was developed as follows:

\$ 2.962	Average price per gallon of diesel fuel including state excise tax and sales tax for the period 9/1/05 through 8/30/06.
- 0.180	State excise tax.
2.782	Average price per gallon excluding state excise tax.
- 0.204	Sales tax amount included in average price per gallon (\$2.782/1.079% = \$2.578. \$2.782 - \$2.578 = \$0.204).
2.578	Average price per gallon excluding state excise tax and sales tax.
x .0725	Combined state and local sales tax rate.
0.187	Second component of the interstate users' tax on diesel fuel.
+ 0.180	First component of the interstate users' tax on diesel fuel.
<u>\$ 0.367</u>	Recommended diesel fuel tax rate rounded to the nearest tenth of a cent.

Please place this item on the Board's September 27, 2006 Administrative Consent Calendar for approval.

DJG:kn  
Attachmentcc: Mr. Gary Evans  
Mr. Ed KingApproved:   
Ramon J. Hirsig, Executive DirectorBOARD APPROVED  
at the \_\_\_\_\_ Board Meeting\_\_\_\_\_  
Gary Evans, Acting Chief  
Board Proceedings Division

HISTORY  
INTERSTATE USERS' TAX ON DIESEL FUEL

<u>Calendar Year</u>	<u>Rate/Gal</u>
1998	\$0.263
1999	\$0.251
2000	\$0.250
2001	\$0.271
2002	\$0.282
2003	\$0.263
2004	\$0.278
2005	\$0.295
2006	\$0.330
2007 (Proposed)	\$0.367